

**Introduced by Committee on Banking, Finance and Insurance  
(Senators Calderon (Chair), Cogdill, Correa, Cox, Florez, Kehoe,  
Liu, Lowenthal, Padilla, Price, and Runner)**

February 19, 2010

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An act to amend Section 11797 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 1407, as introduced, Committee on Banking, Finance and Insurance. Insurance: State Compensation Insurance Fund: investments.

Existing law creates the State Compensation Insurance Fund administered by a board of directors for the purpose of transacting workers' compensation insurance, and insurance against the expense of defending any suit for serious and willful misconduct, against an employer or his or her agent, and insurance to employees and other persons of the compensation fixed by the workers' compensation laws for employees and their dependents. Existing law requires the board of directors to invest and reinvest, from time to time, all moneys in the State Compensation Insurance Fund in excess of current requirements, in the same manner as is authorized in certain provisions applicable to private insurance carriers.

This bill would expand the board's choices for the investment of excess moneys by allowing the board to invest or reinvest in additional investments in the same manner as provided for private insurance carriers, including, but not limited to, interest bearing obligations issued by a nonaffiliate institution, all deposits and debt obligations of banks or savings and loan associations whose accounts are insured by an agency or instrumentality of the federal government, and bonds issued

by any county, municipality, or school district in this state to represent assessments for local improvements authorized by law.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 11797 of the Insurance Code is amended  
2 to read:

3 11797. (a) The board of directors shall cause all moneys in  
4 the State Compensation Insurance Fund ~~which~~ *that* are in excess  
5 of current requirements to be invested and reinvested, from time  
6 to time, in the same manner as provided for private insurance  
7 carriers pursuant to Article 3 (commencing with Section 1170),  
8 *Article 4 (commencing with Section 1190), and Article 4.5*  
9 *(commencing with Section 1210)* of Chapter 2 of Part 2 of Division  
10 1, *but excluding Sections 1191, 1191.1, 1191.5, 1192.2, 1192.4,*  
11 *1192.95, 1194.7, 1194.8, 1198, and 1199.*

12 (b) (1) Notwithstanding any other provision of law, the State  
13 Compensation Insurance Fund may purchase general obligation  
14 bonds or other evidence of indebtedness issued by the state,  
15 including, but not limited to, notes issued pursuant to Part 5  
16 (commencing with Section 17300) of Division 4 of Title 2 of the  
17 Government Code or warrants issued pursuant to Part 4  
18 (commencing with Section 17000) of Division 4 of Title 2 of the  
19 Government Code, in any amount and to enter into purchase  
20 contracts with the state for this purpose.

21 (2) The bonds or other evidence of indebtedness specified in  
22 paragraph (1), upon delivery to the State Compensation Insurance  
23 Fund, shall, for all purposes, be valid and binding obligations of  
24 the issuer thereof, be validly issued and outstanding in accordance  
25 with their stated terms, and not be deemed to be owned by or on  
26 behalf of the issuer thereof.